

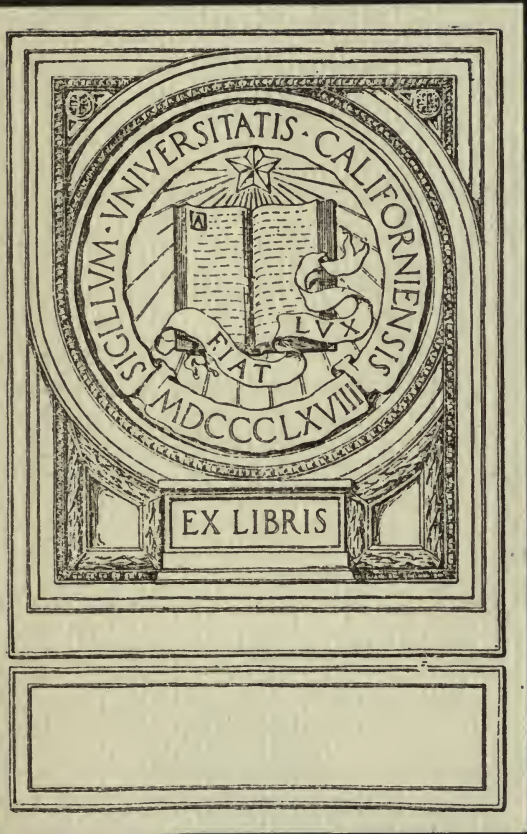
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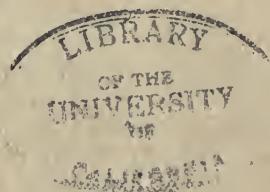
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# THE CAMPAIGN AGAINST THE LOAN SHARK

ARTHUR H. HAM

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# THE CAMPAIGN AGAINST THE LOAN SHARK

ARTHUR H. HAM

The loan shark in his arrogant disregard of human rights continues in most cities to exact unreasonable tribute from the wretched men caught in his net. Leading newspapers throughout the country have constantly denounced the business of making small loans upon the security of pledge or mortgage of personal property or assignment of wages. Drastic laws have been invoked in many states against it. Societies have been organized to protect victims from unjust practices, but the press accounts are soon forgotten by all save the unfortunate clients of the money lenders and the campaign to remedy the conditions surrounding the business has been marked by years of fruitless struggle.

Laws are constantly and uniformly evaded, ignored and defied. The government officials and legislators have repeatedly announced their firm intention to drive the loan shark out of existence. Grand juries have time and again returned indictments against these gentry, accompanying their presentments with statements of extortion and oppression almost unbelievable in this enlightened age, but still this blot on our civilization remains and appears to careful observers even to increase in size. The complexity of the problem has been intensified by indications of wholesale legislative corruption, collusion of officers of the law and connivance of city employes holding positions of authority, and paymasters and cashiers of large establishments whose employes afford the professional money-lender easy prey. The statement could doubtless be proved that every city in the United States of more than 25,000 population containing to any appreciable extent citizens dependent on fixed salaries or wages is infested with loan sharks in the proportion of 1 to 5,000 and at least 20 per cent of the voting population are discounting two days' labor for the immediate price of one. It is not only the transfer of this money from the channels of legitimate trade, the curtailment of bodily comforts, recreation and education, but also the graver aspects of impaired morals, decreased efficiency, family desertions and crime directly traceable to the loan shark business that render it worthy of public attention and concerted effort toward its elimination.

What is responsible for this system of peonage? What maintains it in a flourishing condition despite the many and varied attempts to remove it? How can men be so reckless as to borrow from these agencies that are everywhere known as sharks, leeches and remorseless extortioners? It is clear that these concerns cater to a need that is in some part real and unavoidable, that the majority of borrowers have been overtaken by sudden emergencies which under their standard of living cannot be met out of income. To such, an easy and quick means of relief seems acceptable at any price, especially if no other and more reasonable source of assistance is at hand.

The many unsuccessful attempts to legislate the usurious money-lender out of existence have shown one thing very clearly, that a law that comes between the unscrupulous man who has money to lend and the man who wants to borrow cannot be enforced until an agency is established to satisfy his need at a lower cost. Recognizing this fact, philanthropic men in nearly twenty cities, content with a reasonable return upon their investment, have organized remedial societies to make loans at the lowest rates of interest practicable to deserving people upon security of personal property pledged or mortgaged. The first few of these societies came into existence at intervals sometimes of several years. In 1909 representatives of thirteen of them met in Buffalo at the invitation of the National Conference of Charities and Correction and formed the National Federation of Remedial Loan Associations. The purpose was to substitute concerted action for sporadic effort; to assist by advice and information in the organization of remedial loan societies wherever needed. The Russell Sage Foundation soon organized a division of remedial loans for the partial purpose of assisting the Federation in its work, and as a result the membership of the Federation has practically doubled since 1909.

In many cities efforts are now being made by citizens backed by chambers of commerce and boards of trade to organize similar societies. Those in operation have proved themselves a practical and measurably successful means of accomplishing what drastic legislation and popular clamor has been powerless to do. The loan shark has not been entirely eliminated from the cities in which these societies operate, but his exactions have been reduced appreciably. This pioneer work has removed the remedial loan idea from the experimental state, and organizers of societies in other cities are assured of success from the start under proper management.

In several states satisfactory laws have replaced the old-time drastic legislation impossible of enforcement. Legislators are beginning to realize the force of Blackstone's comment, "Without some profit allowed by law, there will be but few lenders, and those principally bad men who will break through the law, and make a profit, and then will endeavor to indemnify themselves from the danger of the penalty by making that profit exorbitant."

Briefly stated, the program of the remedial loan movement includes the organization in all cities of competitive loan societies of a social nature in the pawnbroking and chattel loan fields; the establishment of co-operative associations for savings and loans among employes, supplemented by the investment of honest capital on a reasonable money-making basis. In all states legislation will be sought chiefly to facilitate this competition. Satisfactory laws will deal fairly with all parties concerned, recognizing the small loan business as a necessary element in our financial system, to be legalized, regulated and controlled, allowing reasonable interest rates and proper supervision, and adequately protecting the borrower from unjust charges and dishonest practices.

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